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Supreme Court of the United States

October Term, 1969

No. 445

STANDARD INDUSTRIES, INC.,
Petitioner,

v.

TIGRETT INDUSTRIES, INC., *et al.*,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETITION FOR CERTIORARI FILED AUGUST 8, 1969
CERTIORARI GRANTED OCTOBER 27, 1969

PETITIONER'S BRIEF

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INDEX

	PAGE
Opinions Below	1
Jurisdiction	2
Constitutional Provisions and Statutes Involved	2
Questions Presented for Review	3
Statement of the Case	4
Summary of Argument	7
ARGUMENT:	
POINT I.—Whether the Petitioner should be held liable for royalties with respect to sale of the "Golden Convertible" play pen purportedly made in accordance with the claims of United States Patent 3,162,865, when it is conceded that all claims of this patent require a limitation of "a pair of spaced openings" and when it is further conceded that the accused play pen contains only a single opening	8
POINT II.—Whether the "Doctrine of Equivalents" should be deemed to extend to a situation where the accused device is specifically outside of limited language in the claims of the patent involved	14
POINT III.—Whether in view of the cancellation by the Respondent during the course of the prosecution of the patent involved of claims similar in scope to a construction now urged subject to royalty payments, "File Wrapper Estoppel" is clearly present in this case	15

PAGE

POINT IV.—Whether, in view of the overruling of *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*, 339 U. S. 827 (1950) by this Court in *Lear v. Adkins*, 89 Sup. Ct. 1902 (1969), Petitioner should be permitted to contest the validity of the patent involved by being permitted to introduce evidence of prior art other than that cited by the Patent Office during the course of the prosecution of the application involved 17

POINT V. Whether United States Letters Patent 3,162,865 is valid 18

POINT VI.—Whether, in view of the automatic cancellation provisions of the underlying assignment of United States Letters Patent 2,790,978 and 3,162,865, the license agreement has become void by reason of a failure of consideration and no royalties are therefore payable 21

POINT VII. Whether Respondent should be required to refund to Petitioner royalties heretofore paid 24

CONCLUSION 24

Cases Cited

American Technical Machine Corp. v. Capezzuto, 2 Cir., 339 Fed. (2d) 567 (1964) 10

Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc., 339 U. S. 827 (1950) 3, 9, 17

Bayside Flushing Gardens v. Bellemmino, 26 Fed. Supp. 706 (1944) 22

Beatty Safeway Scaffold, Inc. v. Skyable, 4 Cal. Rptr. 543

Berry Bros. Corp. v. Sigmon, 317 Fed. 2d 700 (1963)

Bigelow-Sanford Carpet Co. v. Missouri Furniture, Inc., 349 S. W. (2nd) 43

Bowser, Inc. v. Filters, Inc., 396 Fed. (2d) 296

Brewster v. Kable News Co., 262 App. Div. 894 (1941)

Catalin Corporation of America v. Catalazadi Mfg. Co., 2 Cir. 1935, 79 Fed. 2d 593

Criner v. Micro West Co., Inc., 139 Fed. (2d) 681 (1949)

Denominational Envelope Co. v. Duplex Envelope Co., 4 Cir. 1935, 80 Fed. 2d 186

Drake v. Hardman, 30 FRD 394 (1962)

Electrosonics International, Inc. v. Wurlitzer Co., 234 Fed. Supp. 943 (1964)

Graham v. John Deere Co., 383 U. S. 1 (1966)

Grover Tank & Mfg. Co., Inc. v. Linde Air Products Co., 339 U. S. 605 (1950)

Lear v. Adkins, 89 Sup. Ct. 1902 (1969)

Ling-Temco-Vought, Inc. v. Kollsman Instrument Co., 2nd Cir., 372 Fed. 2d 263 (1967)

Mason v. Electrol, Inc., 292 N. Y. 482, 55 N. E. (2nd) 745 (1944)

Maxon v. Maxon Construction Company, 395 Fed. 2nd 330 (1968)

N. [illegible] R. R. v. Comic Mfg. Co., [illegible]

PAGE

Noah v. L. Daitch & Co., 192 N. Y. S. (2nd) 380 (1959) 23

North Star Ice Equipment Co. v. Akshun Mfg. Co., 7th Cir., 301 Fed. 2d 882 (1962) 16

Power Curbers, Inc. v. E. D. Etnyre & Co., 4th Cir., 298 F. 2d 484 (1962) 15

Rooks v. Plavec, 188 N. E. (2nd) 251 23

SAAB v. Mergenthaler Linotype Co., 2 Cir., 410 Fed. (2d) 979 10

Schriber Co. v. Cleveland Trust Co., 311 U. S. 211 (1941) 10, 11, 16

Simmons Co. v. A. Brandwein & Co., 7th Cir., 250 Fed. 2d 440 (1958) 16

Skirow v. Roberts Colonial Horse, Inc., 361 Fed. 2d 336 (1968) 16

Union Carbide Corp. v. Grover Tank & Mfg. Co., 282 Fed. (2d) 653 (1960) 10

Valjean v. Perfection Stove Co., 6th Cir., 103 Fed. 2d 60 (1939) 16

Williams Bit & Tool Co. v. Christensen Diamond Products Co., 5th Cir., 399 Fed. 2d 628 (1968) 16

Zenith Radio Corp. v. Hazeltine Research, 395 U. S. 100 (1969) 5

Statutes Cited

Fifth Amendment to the Constitution 23

35 U. S. C. 103 ..... 3, 18, 19, 20

35 U. S. C. 112 13

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PETITIONER'S BRIEF

This brief is submitted by Petitioner, on the merits, as provided by Rule 40 of the Rules of the Supreme Court of the United States.

Opinions Below

The United States District Court for the Western District of Tennessee on December 27, 1967, entered a memorandum decision awarding judgment in favor of the plaintiff for royalties as provided therein. This decision was not officially reported (Appendix Pages 37a through 46a). Appeal was taken by the Plaintiff to the United

States Court of Appeals for the Sixth Circuit, which Court on May 27, 1969, affirmed the decision of the District Court in all respects. This decision was officially reported in 411 Fed. (2nd) 1218, and appears on Pages 53a-9 through 53a-12 of the Appendix.

Petition for a Writ of Certiorari was filed by Petitioner on August 8, 1969, and this Petition was granted by this Court on October 27, 1969, and the case placed on the Summary Calendar of this Court.

Jurisdiction

Jurisdiction of the United States District Court was acquired in this case by reason of the diversity of citizenship of the parties hereto and by reason of the fact that the case involved the Patent Laws of the United States (Title 35 of the United States Code). The United States Court of Appeals for the Sixth Circuit acquired jurisdiction pursuant to the Appellate provisions set forth in the United States Code. A Writ of Certiorari was filed within three months from the determination of the United States Court of Appeals for the Sixth Circuit, pursuant to 28 U. S. C. 1254(1). All appeals were filed within the time provided for by law. There is no dispute with respect to the jurisdiction of the Courts involved or of the timeliness of all proceedings that have been taken.

Constitutional Provisions and Statutes Involved

This case involves the constitutional provisions with respect to the power of Congress to issue patents for inventions, and the statutory provisions with respect to the granting of patents contained in Title 35 of the United

States Code and in particular, 35 U. S. C. 103. The pertinent statutory provisions will be set forth in the body of this brief.

Questions Presented for Review

1. Whether the Petitioner should be held liable for royalties with respect to sales of the "Golden Convertible" play pen purportedly made in accordance with the claims of United States Patent 3,162,865, when it is conceded that all claims of this patent require a limitation of "a pair of spaced openings" and when it is further conceded that the accused play pen contains only a single opening.

2. Whether the "Doctrine of Equivalents" should be deemed to extend to a situation where the accused device is specifically outside of limiting language in the claims of the patent involved.

3. Whether, in view of the cancellation by the respondent during the course of the prosecution of the patent involved of claims similar in scope to a construction now urged subject to royalty payments, "file wrapper estoppel" is clearly present in this case.

4. Whether, in view of the overruling of *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*, 339 U. S. 827 (1950) by this Court in *Lear v. Adkins*, 89 Sup. Ct. 1902 (1969), Petitioner should be permitted to contest the validity of the patent involved by being permitted to introduce evidence of prior art other than that cited by the Patent Office during the course of prosecution of the application involved.

5. Whether United States Letters Patent 3,162,865 is valid.

6. Whether, in view of the automatic cancellation provisions of the underlying assignment of United States Letters Patent 2,790,978 and 3,162,865, the License Agreement has become void by reason of a failure of consideration and no royalties are therefore payable.

7. Whether Respondent should be required to refund to Petitioner royalties heretofore paid.

Statement of the Case

Pursuant to an agreement made in the State of New York and subject to the laws of the State of New York, on November 25, 1964, Respondent, Tigrett Industries, Inc., and Petitioner, Standard Industries, Inc., agreed to the following (Appendix 54a through 63a):

> "* * * 6. (c) That it will furnish good title to all the items being sold to Buyer, that it has the right to sell the same; that it will warrant the title to all the same to be free and clear of all encumbrances and liens of every kind; and that it will defend the title thereto against all claims whatsoever."
>
> * * *
>
> 16. (c) On Patent Application No. 124,668 dated July 16, 1961, issued July 25, 1964, [U. S. Patent 3,762,865 issued Dec. 29, 1964], to C. B. Whitlow, covering a mechanism for raising and lowering bed, Buyer is to receive an exclusive United States license for the full period of the patent on a basis of 3% of covered product sale price, plus an additional 2% of such sale price overriple to be paid to the Seller for a period of five years from the date of the closing of this sale, and no longer.
>
> * * *

17. CONDITIONAL PAYMENT. In the event that in any fiscal year during the five year period, beginning with the closing date of this sale, an amount calculated as five per cent of the net income before taxes, of the new operating company shall exceed the total amount paid in said fiscal year to the Seller as excess royalties, on a basis of 2% of sales as more specifically set out in paragraph 16, sections (c), (d) and (e) of paragraph 16 above; then, in such event for such fiscal year the Buyer shall pay to Seller the amount of such excess. . . ."

[Paragraph 17 is probably invalid based upon the recent decision of this Court in *Zenith Radio Corp. v. Hazeltine Research*, 395 U. S. 100 (1969). However, the Respondent has not relied upon this clause, and the business situation of the Petitioner does not presently make this clause applicable, so that it is believed that the Court need not burden itself with this phase of the problem at the present time.]

Patent Application Serial No. 124,668, at the time of the execution of the Agreement involved, was owned by the Respondent pursuant to an Assignment Agreement dated July 19, 1961, between one John Burton Tigrett and Tigrett Industries, Inc. The Agreement provided that it would be automatically terminated and cancelled in the event that Tigrett Industries, Inc. made an Assignment for the Benefit of Creditors.

On December 22, 1964, Tigrett Industries, Inc. assigned United States Letters Patent 3,162,865 to Petitioner, but with the following proviso:

"And the Jackson Furniture Corporation, the purchaser, agrees to abide by all the obligations, terms, and conditions of the seller herein, Tigrett Industries Inc., as more specifically set forth in an

agreement dated July 19, 1961, between John Burton Tigrett, of Jackson, Tennessee, and Tigrett Industries, Inc. Furthermore, as the further consideration of the transfer and sale of this patent to Jackson Furniture Corporation, in addition to the percentage payment of the purchase price for said patent to be paid pursuant to the agreement aforesaid to the said John Burton Tigrett, an individual, Jackson Furniture Corporation agrees to pay to Tigrett Industries, Inc., for a period of five (5) years, after the 21st day of December, 1964, an additional two (2%) per cent of the net selling price of all units sold, which units shall embody the use of this patented invention. 'The net selling price of all units sold' shall be the amount received by Jackson Furniture Corporation from the sale of such play pens without any deduction for discounts, commissions or selling expense. Credit may be given for returned goods. * * *" (Appendix 76a-77a).

On April 26, 1965, Tigrett Industries, Inc. made an Assignment for the Benefit of Creditors (Appendix 67a through 73a).

Petitioner paid royalties to the Respondent until the date of the aforesaid Assignment for the Benefit of Creditors and, subsequent to that time, contended that there was no further obligation for payment of royalties. In addition, Respondent contended that the "Golden Convertible" play pen was not within the terms of the Claims of United States Letters Patent 3,162,865. This patent had issued on December 29, 1964.

While Respondent made wild and unsupported claims during the course of the litigation below, the District

Court, in its Memorandum Decision (Appendix 37a through 46a) merely held the Petitioner liable for royalties on two play pens known as the "Play-A-Round" and the "Golden Convertible". Aside from the issue relative to the validity of the contract involved, the Petitioner is not, in this appeal, questioning the validity of United States Letters Patent 2,790,978 (which involves the "Play-A-Round" play pen), nor that the "Play-A-Round" play pen is covered by United States Letters Patent 2,790,950. Petitioner does contend that United States Letters Patent 3,162,865 is invalid, and further, that the "Golden Convertible" play pen is not covered by any of the claims of the said patent.

The determination of the District Court was in all respects affirmed by the United States Court of Appeals for the Sixth Circuit (Appendix 53a-9 through 53a-11), and this Court granted Certiorari to consider the questions involved.

Summary of Argument

The Petitioner submits that the holding of the Courts below to the effect that the Petitioner was required to pay royalties upon the "Golden Convertible" play pen as a "covered product" under one or more of the claims of United States Patent 3,162,865 is erroneous for the following reasons:

1. All claims of United States Letters Patent 3,162,865 call for "a pair of spaced openings" while the accused device of Petitioner contains only a single opening. The limitation of "a pair of spaced openings" was inserted in the application which matured into the patent involved during the prosecution thereof to avoid a rejection by the Patent Office Examiner. It is immaterial whether this rejection was "right" or "wrong".

2. Based upon the criteria for patentability, United States Letters Patent 3,162,865 is invalid since the subject matter thereof could not be held to be "non-obvious" in view of similar devices made by others prior to the filing of the application which matured into the patent involved.

3. The original agreement providing for the payment of royalties became void as the time Tigrett Industries, Inc. made an Assignment for the Benefit of Creditors, since title of the patent in the said Tigrett Industries ceased upon that event.

4. Petitioner should be entitled to a refund of royalties paid from the issue date of United States Patent 3,162,865 since this patent is clearly invalid.

ARGUMENT

POINT I

Whether the Petitioner should be held liable for royalties with respect to sales of the "Golden Convertible" play pen purportedly made in accordance with the claims of United States Patent 3,162,865, when it is conceded that all claims of this patent require a limitation of "a pair of spaced openings" and when it is further conceded that the accused play pen contains only a single opening.

United States Patent 3,162,865 contains two claims and each of the claims recite the limitation of "a pair of spaced openings" within the base plate and that drawstrings are threaded upwardly through the openings in the base plate." (Appendix 12-13). It is further clear that

the accused play pen has merely a *single spacing* (Appendix 122a). Respondent's own expert finally conceded this on Page 146a of the record when he stated as follows:

> "Q. Now, what does spaced mean? A. Spaced means that they are separated.
>
> Q. And if they were together, they would not be fringe, would they? A. They wouldn't be spaced, right."

The prior law with respect to license agreements before the decision of this Court in *Lear v. Adkins*, *supra*, has been that where a licensee agrees to pay royalties on articles covered by a patent, the articles involved must come within the scope of at least one of the claims of a patent. [*Morton v. Rayon Construction Company*, 395 Fed. 2nd 339 (1968)].

However, prior to the said decision of this Court in *Lear v. Adkins*, *supra*, the Court determined in *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*, *supra*, that a licensee was estopped from questioning the validity of the patent. Therefore, in the courts below, (*Lear v. Adkins* having not been decided until after the decision of the United States Court of Appeals for the Sixth Circuit), the Petitioner could only claim that the accused device was not within the scope of any of the claims of the licensed patent.

The prior law was set forth in *Automatic Radio Manufacturing Company*, *supra*, by the Court of the Sixth Circuit and binding upon the United States District Court for the Western District of Tennessee at Jackson.

> "At the request of Hazeltine the court ruled that the validity of Mayes' patents was not in issue [sic]. The decision to control the course of the litigation [sic] as to the question of validity is the *Automatic Radio*

> *Scale Co. v. Automatic Scale Co.*, 204 U. S. 609, 620, 621; cf. in case of disclaimer *Altoona Public Theatres, Inc. v. Tri-Ergon Corp.*, 294 U. S. 477, 492, 493. * * * *"*

In the prosecution of the patent involved, the original application contained Claims 1 through 7. Some of these claims, which were previously cancelled, would have read on the present "Golden Convertbile" play pen. The limitation of a "pair of spaced openings" was added in newly presented Claim 8 (Appendix 97a). As a matter of fact, in the applicant's remarks, the applicant specifically called attention to "openings in the base plate", as constituting one of the features which, as the applicant said, "seek to define in more definite fashion the especial advance made in the art by applicant."

The doctrine of equivalents was subsequently considered by this Court in *Grover Tank & Mfg. Co., Inc. v. Linde Air Products Co.*, 339 U. S. 605 (1950). In that case, while the Court found equivalency to be present, the doctrine was further limited by reason of the prior art references. On Page 609 of the opinion, the Court held, as follows:

> *"* * * What constitutes equivalency must be determined against the context of the patent, the prior art, and the particular substances of the case. * * *"*

The doctrine was further limited by this Court in *Graham v. John Deere Co.*, 383 U. S. 1 (1966) where the Court held that equivalence is dependent upon the scope of the prior art and where the invention constitutes a very narrow improvement in a very crowded art, the scope of equivalents to be given must be extremely narrow.

Within the context of the law with respect to the doctrine of equivalents, *as it presently stands*, it is clear that the "pair of spaced openings" recited in the claims of the United States Letters Patent 3,162,865, is clearly not an "equivalent" of the *single opening* utilized in the base plate of the "accused" structure. However, at this point, the Petitioner urges upon the Court that the so-called "doctrine of equivalents" no longer has any place in patent law and that a patent should be read specifically in connection with the specific terms of the claims. In taking this position, the Petitioner points out that the Patent Act of 1952 contains Section 112 (35 U. S. C. 112), which reads, in part, as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

Therefore, all that a patentee need do, in a situation of this type, would be to place within his claim the term "passing means" in order to refer to the opening within the base plate. Therefore, it is submitted, that to permit a patentee to recite specific structure such as, for example, "a pair of spaced openings" and then be permitted to amend this in suit to cover a single opening should, it is submitted, not be permitted. Persons dealing with patents should be entitled to rely upon the scope of a written claim and should not be subjected to infringement litigation which permit patentees to claim that an "accused" structure is "an equivalent" of structure not specifically contained within a claim. Technology and progress, it is submitted, would be materially advanced by the expression of a doctrine of the type proposed herein.

POINT II

Whether the "Doctrine of Equivalents" should be deemed to extend to a situation where the accused device is specifically outside of limited language in the claims of the patent involved.

It is clear, from the record, that the limitation of "a pair of spaced openings" was placed within the claims deliberately by the applicant in order to secure allowance of the application. It is noted that original Claim 4 of the application which matured into the patent involved, did not contain this limitation and was rejected by the Examiner upon the patent to Adamson in view of the patent to May. The Examiner, in rejecting this broader claim, stated the following:

> "* * * To provide holes in Adamson's floor member 27 so that his drawstring 32 could be threaded therethru to thereby be more easily actuated would be an obvious extension of the teaching of May et al. (strings 21). * * *"

Since the limitation of "a pair of spaced openings" was deliberately put into the application by the applicant to avoid a rejection by the Examiner, it is clear that the "Doctrine of Equivalents" has no application.

The District Court and the Court of Appeals apparently took the position that the Examiner's original rejection of the broader claim was "wrong". This appears in the opinion of the District Judge (Appendix 45a), as follows:

> "* * * In any event, we are satisfied that there is nothing in the history of the prosecution of this patent vis-a-vis particularly the Adamson patent that prevents plaintiffs from contending here that

> the single opening in defendant's base plate is the equivalent of the two spaced openings called for by Claim 1 of this patent. * * *"

However, the rule, as illustrated in *Berry Bros. Corp. v. Sigmon*, 2 Cir., 317 Fed. 2d 700 (1963), holds to the contrary. As the Court stated, on page 706 of the Opinion, the following sets forth the rule of law with respect thereto:

> "* * * Whether the Examiners were right or wrong in their insistence on the amendment is immaterial. A patentee, having deliberately taken a position in the Patent Office proceedings to induce the grant of the patent to him, is not thereafter permitted to repudiate that position. This is what is meant by file wrapper estoppel. * * *"

See also *Power Curbers, Inc. v. E. D. Etnyre & Co.*, 4th Cir., 298 F. 2d 484 (1962).

POINT III

Whether, in view of the cancellation by the Respondent during the course of the prosecution of the patent involved of claims similar in scope to a construction now urged subject to royalty payments, "File Wrapper Estoppel" is clearly present in this case.

In "Point II", *supra*, the Petitioner took the position that the "Doctrine of Equivalents" had no bearing upon the position in this case because of the deliberate insertion of the limitation of "two spaced openings" during the prosecution of the application which matured into the patent involved. However, even if the "Doctrine of Equivalents" were available in this case and even if "two

spaced openings" were the actual equivalent of a single opening, the respondent would still not prevail in this suit because of the clear "file wrapper estoppel" present.

As set forth in *Williams Bit & Tool Co. v. Christensen Diamond Products Co.*, 5th Cir., 399 Fed. 2d 628 (1968), if the language of the claim, selected in order to meet Patent Office objections, contains a limitation, a patentee cannot thereafter, after the patent issues, claim that a construction which does not fall within the limiting-language of the claim will infringe.

As the Court said, on Page 634 of the Opinion:

> "* * * For it is the language of the claim, as amended to meet the Patent Office's objections, and not the argument of the applicant's patent attorney in support of it, which is controlling as to the existence of an estoppel. * * *".

See also, *Catalin Corporation of America v. Catalazali Mfg. Co.*, 2 Cir. 1935, 79 Fed. 2d 593, 594; *Denominational Envelope Co. v. Duplex Envelope Co.*, 4 Cir. 1935, 80 Fed. 2d 186, 192-193.

There are many other cases setting forth the general rule that where a claim is amended to meet Patent Office objections and the amendment contains a limitation, a patentee may not, thereafter, assert that a construction not containing the limitation constitutes an infringement under the "Doctrine of Equivalents". See, for example, *North Star Ice Equipment Co. v. Alaska Mfg. Co.*, 7th Cir., 301 Fed. 2d 882 (1962); *Long-Torco Tonglt Inc. v. Kollsman Instrument Co.*, 2nd Cir., 372 Fed. 2d 263 (1967); *Stamicus Co. v. A. Braghieria & Co.*, 7th Cir., 250 Fed. 2d 140 (1958); *Valpeau v. Perfection Stair Co.*, 6th Cir., 103 Fed. 2d 60 (1939); *Skinner v. Ribbits Colonial Hoist, Inc.*, 361 Fed. 2d 336 (1968); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211.

Therefore, in the case at bar, aside from any of the other issues, the prosecution history of the application which matured into United States Letters Patent 3,162,865 prevents the respondent from claiming that petitioner's construction, which does not contain *a pair of aligned openings*, is a construction which constitutes a "covered product" under the license agreement involved herein.

POINT IV

Whether, in view of the overruling of *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*, 339 U. S. 827 (1950) by this Court in *Lear v. Adkins*, 89 Sup. Ct. 1902 (1969), Petitioner should be permitted to contest the validity of the patent involved by being permitted to introduce evidence of prior art other than that cited by the Patent Office during the course of the prosecution of the application involved.

At the trial of this case, since the rule with respect to a licensee contesting the validity of a patent under which he was licensed was enunciated in *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*, *supra*, and this case was cited with approval by the United States Court of Appeals for the Fifth Circuit in *Hogan v. Harris Construction Co.*, *supra*, the Petitioner could not contest the validity of United States Letters Patent 3,162,865 and could only contend that the product that it was making and selling (the "Golden Convertible") did not come within the scope of any claim of the patent involved. For this reason, additional prior art, not cited by the Examiner, during the prosecution of the application which matured into the patent in suit, was not introduced by the Petitioner. This Court, in *Lear v. Adkins*, *supra*, has now overruled *Automatic Radio Co.* case, and presently this

licensee can always contest the validity of the patent under which he is licensed. However, by reason of the prior law, the Petitioner did not introduce significant prior art which would have clearly shown the invalidity of United States Letters Patent 3,162,865. While Petitioner contends that, even based upon the prior art references cited by the Patent Office Examiner, United States Letters Patent 3,162,865 is invalid, nevertheless, if this Court should disagree with this position, it is submitted that Petitioner should be entitled to a new trial wherein such evidence of invalidity would be asserted.

POINT V

Whether United States Letters Patent 3,162,865 is valid.

draw strings upwardly through an opening in the base plate of a play pen otherwise identical with the play pen of the prior art does not constitute "non-obvious subject matter". This is a requirement for patentability under 35 U. S. C. 103, which reads as follows:

> "103. *Conditions for patentability; non-obvious subject matter*
>
> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."

This Court, in the recently decided case of *Graham v. John Deere Co.*, 383 U. S. 1, set forth the rules now applicable to determining patentability of inventions. These rules are set forth on page 15 of the Opinion of the Court as follows:

> "Against this background the statutory and judicial conditions, which followed, will permit a more practical test of patentability. The emphasis on novelty centers on the requirement, not of newness, but of invention, and, as such, comports with the constitutional standard.
>
> While the ultimate question of patent validity is one of law, *United States v. Adams*, 383 U. S. 39, 50, the 103 condition, which is but a codification of judicial precedents, lends itself to several basic factual inquiries. Under 103, the scope and content of the prior art are to be determined; differences between the prior

PATENT NO.

Whereas, in view of the automatic cancellation provisions of the underlying assignment of United States Letters Patent 2,790,978 and 3,062,866, the license agreement has become void by reason of a failure of consideration and no royalties are therefore payable.

POINT VII

Whether Respondent should be required to refund to Petitioner royalties heretofore paid.

Prior to the cancellation of the underlying agreement by reason of the Assignment for the Benefit of Creditors by Tigrett Industries, Inc., the Petitioner paid royalties to the Respondent. If this Court holds that the "Golden Convertible" does not fall within the terms of any of the claims of United States Letters Patent 3,162,865, or that United States Letters Patent 3,162,865 is invalid, then, it is submitted, there has been a failure of consideration with respect to the royalties already paid by Petitioner.

This Court, it is submitted, ought to remand this case to the District Court for a determination of the amount of royalties paid so that the Petitioner can obtain a refund thereof.

CONCLUSION

The determination of the United States Court of Appeals for the Sixth Circuit should be in all respects reversed.

Respectfully submitted,

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